



State of Arizona Accounting Manual

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INTRODUCTION

The contracts relating to the qualifying accounts—i.e., the P-Card, the Fleet (Voyager) Card and the Central Travel Account (CTA)—each contain incentive plans under which, when certain conditions are met, the State of Arizona receives cash rebates, otherwise known as incentives. These incentives are paid to the State quarterly and/or annually.

This section of SAAM establishes policies for the distribution of and accounting for incentives distributed to agencies.

POLICY & PROCEDURES

1. All incentives resulting from the use of qualifying accounts by any agency are to be initially received and deposited by the GAO.
2. The GAO will calculate, manage and disburse those portions of incentives to be allocated to the Federal government or to be used for administrative purposes. Remaining amounts are termed distributable incentives.
3. A distributable incentive related to a single qualifying account for a single quarter, on an unaggregated basis, that exceeds five thousand dollars (\$5000.00), will be distributed to the generating agency by the GAO.
4. A generating agency may elect to credit the entire aggregate amount of all of its distributable incentives to the State's general fund.
 - 4.1. An election will take effect for incentives received in subsequent fiscal quarters.
 - 4.2. Under this election, deposits of incentives are to be credited to AFIS agency "AAA." (AFIS agency AAA is a contrivance of the GAO used to transfer funding between and among agencies or from agencies to the State's general fund).
 - 4.3. This election is to be communicated to the State Comptroller in writing and will remain in effect until its revocation.
 - 4.4. This election may be revoked:
 - 4.4.1. At any time by the State Comptroller. This revocation will be communicated in writing from the State Comptroller to the generating agency. In such cases, the

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revocation will take effect for incentives received in subsequent calendar quarters.

- 4.4.2. By a generating agency's sending written notification of its revocation to the State Comptroller. In such cases, the revocation will take effect for incentives received in subsequent fiscal years.
5. Incentives distributed to a generating agency must be individually credited to one or more State funds.
 - 5.1. If seventy-five percent (75%) or more of a qualifying account's distributed incentive is attributable to qualifying account expenses or expenditures from a single State fund, the entire amount of the that qualifying account's incentive may be credited to that fund.
 - 5.2. No incentive distributed to a generating agency is to be credited to any Federal fund nor are Federal funds to be used in computing the allocation of incentives among funds.
 - 5.3. If less than seventy-five percent (75%) of a qualifying account's distributed incentive can be attributed to a qualifying account's expenses or expenditures from a single State fund, then the incentive must, except as otherwise herein provided, be allocated among State funds in that proportion representing the ratio each State fund's qualifying account expenses or expenditures bears to all the expenses or expenditures made from all State funds using the qualifying account under consideration.

Example: A given agency expends \$1,750,000 using the P-Card in a certain quarter. Of these expenditures, \$1,000,000 were attributable to various State funding sources and \$750,000 were related to a Federal grant. With respect to the P-Card expenditures from State funding sources, \$500,000 were related to State Funding Source 1, \$350,000 to State Funding Source 2, and \$150,000 to State Funding Source 3. The agency receives a distributable incentive for the quarter of \$18,000. In allocating the distributable incentive, \$9,000 is to be credited to State Funding Source 1 ($\$18,000 \times \$500,000 / \$1,000,000$), \$6,300 to State Funding Source 2 ($\$18,000 \times \$350,000 / \$1,000,000$), and \$2,700 to State Funding Source 3 ($\$18,000 \times \$150,000 / \$1,000,000$). None of the distributable incentive is credited to the Federal grant.

The agency also received distributable incentives from the use of the CTA and the Fleet Cards. In the case of the Fleet Card, more than 75% of the expenditures relating to the use of this qualifying account were attributable to a single fund, so not distribution is required. With respect to the CTA, less than 75% of the expenditures were related to a single fund, so an allocation of the distributable incentive must be

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calculated using the method, described above, for the distributable incentive resulting from P-Card use.

- 5.4. If the amount of distributable incentive to be allocated to any State fund for a quarter is less than two thousand five hundred dollars (\$2,500), it may either be proportionally allocated among the State funds to which at least two thousand five hundred dollars (\$2,500) is to be otherwise credited or be allocated to the general fund.

Example: A given agency expends \$1,750,000 using the P-Card in a certain quarter. Of these expenditures, \$1,000,000 were attributable to various State funding sources and \$750,000 were related to a Federal grant. With respect to the P-Card expenditures from State funding sources, \$500,000 were related to State Funding Source 1, \$400,000 to State Funding Source 2, and \$100,000 to State Funding Source 3. The agency receives a distributable incentive for the quarter of \$18,000. In allocating the distributable incentive, \$9,000 is to be credited to State Funding Source 1 ($\$18,000 \times \$500,000 / \$1,000,000$), \$7,200 to State Funding Source 2 ($\$18,000 \times \$400,000 / \$1,000,000$), and it is originally calculated that \$1,800 is to be credited to State Funding Source 3 ($\$18,000 \times \$100,000 / \$1,000,000$). Since the amount to be credited to State Funding Source 3 is less than \$2,500, the agency may choose to allocate the \$1,800 between State Funding Sources 1 and 2. State Funding Source 1 would, if the agency so chose, be allocated \$1,000 ($\$1,800 \times \$500,000 / (\$500,000 + \$400,000)$) and State Funding Source 2 would be allocated \$800 ($\$1,800 \times \$400,000 / (\$500,000 + \$400,000)$). The total deposit to State Funding Source 1 would be \$10,000 (\$9,000 + \$1,000); the total deposit to State Funding Source 2 would be \$8,000 (\$7,200 + \$800). None of the distributable incentive is credited to the Federal grant.

Similar calculations must be made for distributable incentives related to CTA and Fleet Card use.

6. When an incentive is received during the year in which the underlying P-Card, Fleet Card, or CTA expenditures were made, an agency has some discretion with respect to the accounting treatment of the incentive. In such cases, the GAO will contact the generating agency and work with it to determine whether the distributable incentive is to be treated as revenue or as a reduction of expenditures. This determination must be made individually for each of the three qualifying accounts.
- 6.1. When it is determined that an incentive is to be treated as revenue:
- 6.1.1. The GAO will initiate a revenue-to-revenue transfer, employing an ITI document as receiver/buyer, using event type INZ2 and revenue source 4825; the GAO will copy forward the ITI document to an ITA document to the generating agency.

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- 6.1.2. The generating agency will complete the ITI document, using event type INZ2 and revenue source 4825. The agency should also enter the applicable function, fund/funds and budget fiscal year.
- 6.2. When it is determined that an incentive is to be treated as a reduction of expenditures:
- 6.2.1. The GAO will initiate and partially complete an expenditure reduction transfer, employing an ITI as receiver/buyer using event type INZ3, expenditure to revenue, using revenue source 4825, entering the amount of the distributable incentive, and copy forward the document to an ITA document to the generating agency designated to receive the rebate.
- 6.2.2. The generating agency will complete the ITA document using event type INZ3, expenditure to revenue, and the expenditure object or objects to be credited. The agency should also enter the applicable function, fund/funds and the budget fiscal year.
- 6.2.2.1. When the reduction of an expenditure or expenditures is to be allocated to an appropriated fund or appropriated funds, copies of the reconciliations required by SAAM 4030 must be attached to the ITA document in AFIS.
- 6.2.2.2. When the reduction of an expenditure or expenditures is to be allocated to an appropriated fund or appropriated funds, the generating agency must comply with the notification requirements set forth in SAAM 4030.
- 6.2.3. The amount by which a distributable incentive exceeds the expenditure to which it would otherwise be entirely credited (a situation that may result from timing differences) may be credited either to revenue or the general fund.
7. Incentives related to Fleet Card, P-Card or CTA use during a given fiscal year, but received after the close of that fiscal year, will be treated as revenues in the year received.
- 7.1. The GAO will initiate and complete a revenue transfer, employing an ITI document as receiver/buyer, using event type INZ2, revenue-to-revenue transfer, and revenue source 4824, entering the amount of the distributable incentive, and copy forward the document to an ITA document to the generating agency designated to receive the rebate.
- 7.2. The generating agency will complete the ITI document as provider/seller, using event type INZ2, revenue-to-revenue transfer, and revenue source 4824. The agency should also enter the applicable function, fund/funds and budget fiscal year.

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8. If the generating agency has not completed the ITA document within fifteen (15) business days of its initiation, the entire amount of distributable incentive will be transferred to the General Fund by the GAO.
 9. If the State's overall incentive for a quarter is reduced because of a generating agency's employee's delinquency in settling his ETC account, the generating agency's incentive for the quarter will be reduced by a like amount. This reduction can be applied to any and/or all of the incentives otherwise due the generating agency. If this reduction reduces an otherwise distributable incentive due to a generating agency below the five thousand dollar (\$5,000) threshold, the reduced distribution will still be made.